



KIM REYNOLDS
GOVERNOR

OFFICE OF THE GOVERNOR

ADAM GREGG
LT GOVERNOR

May 16, 2019

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol
Des Moines, Iowa 50319

Dear Mr. Secretary,

I hereby transmit:

House File 779, an Act relating to the administration of the tax and related laws by the department of revenue, including the administration and modification of certain tax credits and refunds, the individual and corporate income taxes, franchise taxes, moneys and credits taxes, sales and use taxes, and automobile rental excise taxes, the assessment of property owned by certain long distance telephone companies, establishing a taxation and exemption of computers task force, extending the utility replacement task force, and providing for other properly related matters, making penalties applicable, and including effective date and retroactive applicability provisions.

The above House File is hereby approved on this date.

Sincerely,

A handwritten signature in black ink, appearing to read "Kim Reynolds".

Kim Reynolds
Governor of Iowa

cc: Secretary of the Senate
Clerk of the House



House File 779

AN ACT

RELATING TO THE ADMINISTRATION OF THE TAX AND RELATED LAWS BY THE DEPARTMENT OF REVENUE, INCLUDING THE ADMINISTRATION AND MODIFICATION OF CERTAIN TAX CREDITS AND REFUNDS, THE INDIVIDUAL AND CORPORATE INCOME TAXES, FRANCHISE TAXES, MONEYS AND CREDITS TAXES, SALES AND USE TAXES, AND AUTOMOBILE RENTAL EXCISE TAXES, THE ASSESSMENT OF PROPERTY OWNED BY CERTAIN LONG DISTANCE TELEPHONE COMPANIES, ESTABLISHING A TAXATION AND EXEMPTION OF COMPUTERS TASK FORCE, EXTENDING THE UTILITY REPLACEMENT TASK FORCE, AND PROVIDING FOR OTHER PROPERLY RELATED MATTERS, MAKING PENALTIES APPLICABLE, AND INCLUDING EFFECTIVE DATE AND RETROACTIVE APPLICABILITY PROVISIONS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I
INCOME TAX

Section 1. Section 422.4, subsection 16, paragraph e, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Add back the following percentage of the qualified business income ~~deduction~~ deductions under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code taken and allowable in calculating federal taxable income for the applicable tax year:

Sec. 2. Section 422.9, subsection 2A, paragraph a, unnumbered paragraph 1, Code 2019, is amended to read as follows:

The following percentage of the qualified business income ~~deduction~~ deductions under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code taken and allowable in calculating federal taxable income for the applicable tax year:

Sec. 3. Section 422.9, subsection 2A, paragraph b, Code 2019, is amended to read as follows:

b. Notwithstanding paragraph "a", and section 422.4, subsection 16, paragraph "e", for an entity electing or required to file a composite return under section 422.13, subsection 5, the deduction allowed under this subsection for purposes of the composite return shall be an amount equal to the applicable percentage described in paragraph "a" of the ~~deduction~~ deductions that would be allowable for federal income tax purposes under ~~section 199A~~ sections 199A(a) and 199A(g) of the Internal Revenue Code by an individual taxpayer reporting the same items of income and loss that are included in the composite return.

Sec. 4. Section 422.11S, subsection 7, paragraph b, Code 2019, is amended to read as follows:

b. The department shall authorize a school tuition organization to issue tax credit certificates for contributions made to the school tuition organization. The aggregate amount of tax credit certificates that the department shall authorize for a school tuition organization for a ~~tax~~ calendar year shall be determined for that organization pursuant to subsection 8. However, a school tuition organization shall not be authorized to issue tax credit certificates unless the organization is

controlled by a board of directors consisting of at least seven members. The names and addresses of the members shall be provided to the department and shall be made available by the department to the public, notwithstanding any state confidentiality restrictions.

Sec. 5. Section 422.11S, subsection 8, paragraph a, subparagraph (2), Code 2019, is amended to read as follows:

(2) "*Total approved tax credits*" means for the ~~tax year beginning in the~~ 2006 calendar year, two million five hundred thousand dollars, for the ~~tax year beginning in the~~ 2007 calendar year, five million dollars, for ~~tax~~ calendar years beginning on or after January 1, 2008, but before January 1, 2012, seven million five hundred thousand dollars, for ~~tax~~ calendar years beginning on or after January 1, 2012, but before January 1, 2014, eight million seven hundred fifty thousand dollars, ~~and~~ for ~~tax~~ calendar years beginning on or after January 1, 2014, but before January 1, 2019, twelve million dollars, and for ~~tax~~ calendar years beginning on or after January 1, 2019, thirteen million dollars.

Sec. 6. Section 422.11S, subsection 8, paragraph b, unnumbered paragraph 1, Code 2019, is amended to read as follows:

Each year by December 1, the department shall authorize school tuition organizations to issue tax credit certificates for the following ~~tax~~ calendar year. However, for the ~~tax year beginning in the~~ 2006 calendar year only, the department, by September 1, 2006, shall authorize school tuition organizations to issue tax credit certificates for the 2006 calendar ~~tax~~ year. For the ~~tax year beginning in the~~ 2006 calendar year only, each school served by a school tuition organization shall submit a participation form to the department by August 1, 2006, providing the certified enrollment as of the third Friday of September 2005, along with the school tuition organization that represents the school. Tax credit certificates available for issue by each school tuition organization shall be determined in the following manner:

Sec. 7. Section 422.11S, subsection 9, unnumbered paragraph 1, Code 2019, is amended to read as follows:

A school tuition organization that receives a voluntary cash

or noncash contribution pursuant to this section shall report to the department, on a form prescribed by the department, by January 12 of each ~~tax~~ calendar year all of the following information:

Sec. 8. Section 422.11S, subsection 9, paragraphs b and c, Code 2019, are amended to read as follows:

b. The total number and dollar value of contributions received and the total number and dollar value of the tax credits approved during the previous ~~tax~~ calendar year.

c. A list of the individual donors for the previous ~~tax~~ calendar year that includes the dollar value of each donation and the dollar value of each approved tax credit.

Sec. 9. Section 422.12C, subsection 4, Code 2019, is amended to read as follows:

4. Married taxpayers who have filed joint federal returns electing to file separate returns or to file separately on a combined return form must determine the child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 based upon their combined net income and allocate the total credit amount to each spouse in the proportion that each spouse's respective net income bears to the total combined net income. Nonresidents or part-year residents of Iowa must determine their Iowa child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 in the ratio of their Iowa source net income to their all source net income. Nonresidents or part-year residents who are married and elect to file separate returns or to file separately on a combined return form must allocate the Iowa child and dependent care credit under subsection 1 or the early childhood development tax credit under subsection 2 between the spouses in the ratio of each spouse's Iowa source net income to the combined Iowa source net income of the taxpayers.

Sec. 10. Section 422.60, subsection 2, paragraph b, Code 2019, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (6) For purposes of this paragraph, "*Internal Revenue Code*" means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means

the Internal Revenue Code of 1986 as amended and in effect on December 21, 2017. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 11. LIKE-KIND EXCHANGES OF PERSONAL PROPERTY UNDER CORPORATE INCOME TAX AND FRANCHISE TAX FOR TAX YEAR 2019. Notwithstanding any other provision of law to the contrary, all of the following shall apply when computing net income for purposes of the corporation income tax or franchise tax under section 422.35 for tax years beginning during the 2019 calendar year:

1. The rules for nonrecognition of gain or loss from exchanges of real property held for productive use or investment and not held primarily for sale, as provided in section 1031 of the Internal Revenue Code, as amended up to and including March 24, 2018, apply for state income tax purposes with regard to exchanges of real property.

2. The rules for nonrecognition of gain or loss from exchanges of property other than real property held for productive use or investment as provided in section 1031 of the Internal Revenue Code, as amended up to and including December 21, 2017, apply for state income tax purposes, notwithstanding any other provision of law to the contrary. If the taxpayer's federal taxable income includes gain or loss from property, other than real property described in subsection 1, and the taxpayer elects to have this subsection apply, the following adjustments shall be made:

a. (1) Subtract the total amount of gain related to the sale or exchange of the property as properly reported for federal tax purposes under the Internal Revenue Code.

(2) Add back any gain related to the sale or exchange of the property to the extent such gain does not qualify for deferral under section 1031 of the Internal Revenue Code, as amended up to and including December 21, 2017, which gain shall be calculated using the taxpayer's adjusted basis in the property for state tax purposes.

b. (1) Add the total amount of loss related to the sale or exchange of the property as properly reported for federal tax

purposes under the Internal Revenue Code.

(2) Subtract any loss related to the sale or exchange of the property to the extent such loss does not qualify for deferral under section 1031 of the Internal Revenue Code, as amended up to and including December 21, 2017, which loss shall be calculated using the taxpayer's adjusted basis in the property for state tax purposes.

c. Any other adjustments to gains, losses, deductions, or tax basis for the property given up or received in the sale or exchange pursuant to rules adopted by the director.

Sec. 12. REFUNDS — EARLY CHILDHOOD DEVELOPMENT TAX CREDIT. Notwithstanding any provision of law to the contrary, for tax years beginning prior to January 1, 2019, refunds of the early childhood development tax credit provided in section 422.12C, subsection 2, requested on or after the effective date of the provision of this division of this Act amending section 422.12C, subsection 4, shall not exceed the amount allowed under section 422.12C, subsection 4, as amended by this division of this Act.

Sec. 13. LEGISLATIVE INTENT. It is the intent of the general assembly that the provisions of this division of this Act amending section 422.11S are conforming amendments consistent with current state law, and that the amendments do not change the application of current law but instead reflect current law both before and after the enactment of this Act.

Sec. 14. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The section of this division of this Act amending section 422.12C, subsection 4.

2. The section of this division of this Act relating to refunds for the early childhood development tax credit.

3. The section of this division of this Act relating to like-kind exchanges of personal property under corporate income tax and franchise tax.

Sec. 15. RETROACTIVE APPLICABILITY. The following apply retroactively to January 1, 2019, for tax years beginning on or after that date:

1. The section of this division of this Act amending section 422.4, subsection 16, paragraph "e", unnumbered paragraph 1.

2. The sections of this division of this Act amending section 422.9, subsection 2A.

3. The section of this division of this Act amending section 422.12C, subsection 4.

4. The section of this division of this Act amending section 422.60, subsection 2, paragraph "b".

Sec. 16. RETROACTIVE APPLICABILITY — LIKE-KIND EXCHANGES OF PERSONAL PROPERTY. The section of this division of this Act relating to like-kind exchanges of personal property under corporate income tax and franchise tax applies retroactively to January 1, 2019, for tax years beginning on or after that date, but before January 1, 2020.

DIVISION II

ADMINISTRATIVE PROVISIONS

Sec. 17. Section 422.20, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 5. The department may permit, by rule, the disclosure of state tax information to a person a taxpayer has authorized to receive such state tax information, in the manner prescribed by the department.

Sec. 18. Section 422.72, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 8. The department may permit, by rule, the disclosure of state tax information to a person a taxpayer has authorized to receive such state tax information, in the manner prescribed by the department.

DIVISION III

SALES AND USE TAX

Sec. 19. Section 423.1, subsection 2, paragraphs b and c, Code 2019, are amended to read as follows:

b. Is directly, indirectly, or constructively controlled by another entity person.

c. Is subject to the control of a common entity person. A common entity person is ~~one which~~ a person who owns directly or individually indirectly more than ten percent of the voting securities of the entity.

Sec. 20. Section 423.2, subsection 1, paragraph a, subparagraph (5), subparagraph division (a), Code 2019, is amended to read as follows:

(a) If a service or warranty contract does not specify a fee amount for nontaxable services or taxable personal property, the tax imposed pursuant to this section shall be imposed upon an amount equal to ~~one-half~~ of the sales price of the contract.

Sec. 21. Section 423.2, subsection 6, paragraph k, Code 2019, is amended to read as follows:

k. Carpentry repair and installation.

Sec. 22. Section 423.3, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 16A. a. The sales price from the sale of a grain bin, including material or replacement parts used to construct or repair a grain bin.

b. For purposes of this subsection, "*grain bin*" means property that is vented and covered with corrugated metal or similar material, and that is primarily used to hold loose grain for drying or storage.

Sec. 23. Section 423.3, subsection 47, paragraph c, subparagraph (3), Code 2019, is amended by striking the subparagraph and inserting in lieu thereof the following:

(3) The following within the scope of section 427A.1, subsection 1, paragraphs "*h*" and "*i*":

- (a) Computers.
- (b) Machinery.
- (c) Equipment, including pollution control equipment.
- (d) Replacement parts.
- (e) Supplies.
- (f) Materials used to construct or self-construct the

following:

- (i) Computers.
- (ii) Machinery.
- (iii) Equipment, including pollution control equipment.
- (iv) Replacement parts.
- (v) Supplies.

Sec. 24. Section 423.3, subsection 104, paragraph a, Code 2019, is amended to read as follows:

a. The sales price of specified digital products and of prewritten computer software sold, and of enumerated services described in section 423.2, subsection 1, paragraph "a", subparagraph (5), or section 423.2, subsection 6, paragraphs

"bg", "br", "bs", and "bu" furnished, to a commercial enterprise for use exclusively by the commercial enterprise. The use of prewritten computer software, a specified digital product, or service fails to qualify as a use exclusively by the commercial enterprise if its use for noncommercial purposes is more than de minimis.

Sec. 25. Section 423.14A, subsection 3, paragraph b, Code 2019, is amended by striking the paragraph.

Sec. 26. Section 423.14A, subsection 3, paragraph d, subparagraph (1), Code 2019, is amended to read as follows:

(1) A marketplace facilitator that makes or facilitates Iowa sales on its own behalf or for one or more marketplace sellers equal to or exceeding one hundred thousand dollars, ~~or in two hundred or more separate transactions,~~ for an immediately preceding calendar year or a current calendar year.

Sec. 27. Section 423.14A, subsection 3, paragraph e, subparagraph (1), unnumbered paragraph 1, Code 2019, is amended to read as follows:

A referrer if, for any immediately preceding calendar year or a current calendar year, one hundred thousand dollars or more in Iowa sales ~~or two hundred or more separate Iowa sales transactions~~ result from referrals from a platform of the referrer. A referrer is not required to collect and remit sales and use tax pursuant to this paragraph if the referrer does all of the following:

Sec. 28. Section 423.14A, subsection 3, paragraph e, subparagraph (1), subparagraph division (c), unnumbered paragraph 1, Code 2019, is amended to read as follows:

The referrer provides the department with ~~monthly~~ annual reports in an electronic format and in the manner prescribed by the department, which ~~monthly~~ annual reports contain all of the following:

Sec. 29. Section 423.14A, subsection 3, paragraph e, Code 2019, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (5) This paragraph is subject to implementation by the department by rule and shall not require a referrer to collect tax or comply with the notice and reporting requirements and other provisions of this paragraph unless and until such administrative rules take effect.

Sec. 30. Section 423.48, subsection 2, paragraph c, Code 2019, is amended by striking the paragraph.

Sec. 31. TAXATION AND EXEMPTION OF COMPUTERS TASK FORCE. A taxation and exemption of computers task force is created. The department of revenue shall initiate and coordinate the task force and provide staff assistance. It is the intent of the general assembly that the task force include representatives of the department of revenue; a commercial enterprise that claims an exemption for computers under section 423.3, subsection 47; an association that represents manufacturers and other industrial producers; and an association that represents business tax issues. The director of revenue or the director's designee shall serve as chairperson of the task force.

The task force shall be charged with reviewing the definition of "computer" as used throughout the portions of the Iowa Code and the Iowa Administrative Code administered by the department of revenue including the exemption for computers provided in section 423.3, subsection 47, paragraph "a", subparagraph (4). If the task force recommends modifications to the current definition of "computer" including the exemption for computers provided in section 423.3, subsection 47, paragraph "a", subparagraph (4), the department of revenue shall provide any recommendations to the general assembly by January 1, 2020.

Sec. 32. EFFECTIVE DATE. The following, being deemed of immediate importance, take effect upon enactment:

1. The section of this division of this Act amending section 423.1, subsection 2, paragraphs "b" and "c".

2. The section of this division of this Act amending section 423.3, subsection 47, paragraph "c", subparagraph (3).

Sec. 33. RETROACTIVE APPLICABILITY. The following applies retroactively to January 1, 2019, for tax years beginning on or after that date:

The section of this division of this Act amending section 423.1, subsection 2, paragraphs "b" and "c".

Sec. 34. RETROACTIVE APPLICABILITY. The following applies retroactively to January 1, 2016, for tax years beginning on or after that date:

The section of this division of this Act amending section

423.3, subsection 47, paragraph "c", subparagraph (3).

DIVISION IV

AUTOMOBILE RENTAL EXCISE TAX

Sec. 35. Section 423.14A, subsection 1, paragraph b, subparagraph (3), Code 2019, is amended to read as follows:

(3) A ~~"rental platform", as defined in section 423C.2, that meets the requirements described in~~ person who is not required to collect and remit automobile rental excise tax pursuant to section 423C.3, subsection 3, paragraph "c", subparagraph (2), shall not be considered a "marketplace facilitator" with respect to any sale of a transportation service under section 423.2, subsection 6, paragraph "bf", or section 423.5, subsection 1, paragraph "e", consisting of the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less.

Sec. 36. Section 423C.2, subsection 3, paragraphs a and b, Code 2019, are amended to read as follows:

a. A person or any affiliate of a person that owns or controls an automobile and makes the automobile available for rent through the person or any affiliate, or through ~~a rental platform or rental facilitator~~ any other person.

b. A person or any affiliate of a person who possesses or acquires a right or interest in any automobile with an intent to rent the automobile to another person, or through ~~the person or any affiliate, or through a rental platform or a rental facilitator~~ any other person.

Sec. 37. Section 423C.2, subsection 6, Code 2019, is amended to read as follows:

6. "Facilitation fee" means any consideration, by whatever name called, that a ~~rental facilitator or a rental platform person~~ charges to a user for facilitating the user's rental of an automobile. "Facilitation fee" does not include any commission an automobile provider pays to a ~~rental facilitator or a rental platform person~~ for facilitating the rental of an automobile.

Sec. 38. Section 423C.2, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 6A. "Host" means the registered owner of an automobile made available for sharing through a peer-to-peer

automobile sharing marketplace.

Sec. 39. Section 423C.2, subsections 9 and 10, Code 2019, are amended by striking the subsections.

Sec. 40. Section 423C.2, subsection 11, Code 2019, is amended to read as follows:

11. ~~"Rental price" means all consideration charged for the renting and facilitation of renting of an automobile before taxes, including but not limited to facilitation fees, reservation fees, services fees, nonrefundable deposits, and any other direct or indirect charge made or consideration provided in connection with the renting or facilitation of renting of an automobile~~ the same as "sales price" as defined in section 423.1, which term includes but is not limited to facilitation fees, reservation fees, services fees, nonrefundable deposits, and any other direct or indirect charge made or consideration provided in connection with the renting or facilitation of renting an automobile.

Sec. 41. Section 423C.3, Code 2019, is amended to read as follows:

423C.3 Tax on rental of automobiles — collection and remittance of tax.

~~1. For purposes of this section:~~

~~a. "Discount rental charge" means the amount an automobile provider charges to a rental facilitator for the rental of an automobile, excluding any applicable tax.~~

~~b. "Travel package" means an automobile rental bundled with one or more separate components such as lodging, air transportation, or similar items and charged for a single retail price.~~

~~2. 1.~~ A tax of five percent is imposed upon the rental price of an automobile if the rental transaction is subject to the sales ~~and services~~ tax under chapter 423, subchapter II, or the use tax under chapter 423, subchapter III. The tax shall not be imposed on any rental transaction not taxable under the state sales ~~and services~~ tax, as provided in section 423.3, or the state use tax, as provided in section 423.6, on automobile rental receipts.

~~3. 2. This subsection shall govern the collection and remittance of the tax imposed under subsection 2~~ The tax

imposed under subsection 1 shall be collected and remitted to the department by all persons required to collect state sales and use tax on the rental transaction under chapter 423.

~~a. Unless otherwise provided in this subsection, the automobile provider shall collect the tax by adding the tax to the rental price of the automobile and the tax, when collected, shall be stated as a distinct item separate and apart from the rental price of the automobile and the sales and services tax imposed under chapter 423, subchapter II, or the use tax imposed under chapter 423, subchapter III.~~

~~b. If a transaction for the rental of an automobile involves a rental facilitator, all of the following shall occur in the order prescribed:~~

~~(1) The rental facilitator shall collect the tax on any rental price that the user pays to the rental facilitator in the same manner as an automobile provider under paragraph "a".~~

~~(2) (a) Unless otherwise required by rule or order of the department, the rental facilitator shall remit to the automobile provider that portion of the tax collected on the rental price that represents the discount rental charge.~~

~~(b) No assessment shall be made against a rental facilitator for tax due on a discount rental charge if the rental facilitator collected the tax and remitted it to an automobile provider that has a valid tax permit required under this chapter or under chapter 423. This subparagraph division shall not apply if the rental facilitator and automobile provider are affiliates, or if the department requires the rental facilitator to remit taxes collected on that portion of the sales price that represents the discount rental charge directly to the department.~~

~~(3) The rental facilitator shall remit any remaining tax it collected to the department.~~

~~(4) (a) The automobile provider shall collect and remit to the department any taxes the rental facilitator remitted to the automobile provider, and shall collect and remit to the department any taxes due on any amount of rental price the user paid to the automobile provider.~~

~~(b) No assessment shall be made against an automobile provider for any tax due on a discount rental charge that~~

~~was not remitted to the automobile provider by a rental facilitator. This subparagraph division shall not apply if the automobile provider and the rental facilitator are affiliates.~~

~~(5) Notwithstanding any other provision of this paragraph to the contrary, if a rental facilitator and its affiliates facilitate total rentals under this chapter and chapter 423A that are equal to or less than an aggregate amount of rental price and sales price of ten thousand dollars for an immediately preceding calendar year or a current calendar year, or in ten or fewer separate transactions for an immediately preceding calendar year or a current calendar year, the rental facilitator shall not be required to collect tax on the amount of sales price that represents the rental facilitator's facilitation fee.~~

~~c. (1) If a transaction for the rental of an automobile involves a rental platform, other than a rental platform described in subparagraph (2), the rental platform shall collect and remit the tax imposed under this chapter in the same manner as an automobile provider under paragraph "a".~~

~~(2) 3. A rental platform person is not required to collect and remit the tax imposed under this chapter in the same manner as an automobile provider under paragraph "a" if the rental platform person meets all of the following requirements:~~

~~a. The person or any affiliate of the person is not an automobile provider.~~

~~b. The person or any affiliate of the person facilitates the renting or sharing of an automobile by doing all of the following:~~

~~(1) The person owns, operates, or controls a peer-to-peer automobile sharing marketplace that allows a host or an automobile provider who is not an affiliate of the person to offer or list an automobile for sharing or rent on the marketplace. For purposes of this paragraph, it is immaterial whether or not the automobile provider has a tax permit under this chapter or chapter 423 or whether the automobile is owned by a natural person or by a business entity.~~

~~(2) The person or affiliate of the person collects or processes the rental price charged to the user.~~

~~(a) c. The only sales the rental platform person and~~

~~its~~ affiliates of the person facilitate that are subject to tax under chapter 423 are sales of a transportation service under section 423.2, subsection 6, paragraph "bf", or section 423.5, subsection 1, paragraph "e", consisting of the rental of vehicles subject to registration which are registered for a gross weight of thirteen tons or less for a period of sixty days or less.

~~(b) The rental platform operates a peer-to-peer automobile sharing marketplace.~~

~~(3)~~ 4. For any rental transaction for which ~~the rental platform~~ a person is required to or elects to collect and remit the tax under this chapter, ~~the rental platform~~ person shall also be liable for the collection and remittance of any sales or use tax due on that transaction under section 423.2, subsection 6, paragraph "bf", or section 423.5, subsection 1, paragraph "e", notwithstanding any other provision to the contrary in chapter 423.

~~(4)~~ 5. For any rental transaction for which ~~the rental platform~~ person is not required to collect and remit the tax under this chapter as provided under ~~subparagraph (2)~~ subsection 3, the automobile provider shall be solely liable for any amount of uncollected or unremitted tax under this chapter and chapter 423.

DIVISION V

TELEPHONE COMPANY PROPERTY

Sec. 42. NEW SECTION. 433.4A Competitive long distance telephone company property.

For assessment years beginning before January 1, 2022, the director of revenue shall assess the property of a long distance telephone company, as defined in section 476.1D, subsection 10, Code 2018, previously classified by the utilities board as a competitive long distance telephone company under section 476.1D, subsection 10, Code 2018, which property is first assessed for taxation in this state on or after January 1, 1996, in the same manner as all other property assessed as commercial property by the local assessor under chapters 427, 427A, 427B, 428, and 441.

Sec. 43. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 44. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to July 1, 2018.

DIVISION VI

TARGETED JOBS WITHHOLDING CREDIT

Sec. 45. Section 403.19A, subsection 3, paragraph c, subparagraph (2), Code 2019, is amended to read as follows:

(2) The pilot project city and the economic development authority shall not enter into a withholding agreement after June 30, ~~2019~~ 2021.

DIVISION VII

SCHOOL TUITION ORGANIZATION TAX CREDITS

Sec. 46. Section 422.11S, subsection 8, paragraph a, subparagraph (2), Code 2019, is amended to read as follows:

(2) "*Total approved tax credits*" means for the tax year beginning in the 2006 calendar year, two million five hundred thousand dollars, for the tax year beginning in the 2007 calendar year, five million dollars, for tax years beginning on or after January 1, 2008, but before January 1, 2012, seven million five hundred thousand dollars, for tax years beginning on or after January 1, 2012, but before January 1, 2014, eight million seven hundred fifty thousand dollars, ~~and~~ for tax years beginning on or after January 1, 2014, but before January 1, 2019, twelve million dollars, ~~and~~ for tax years beginning on or after January 1, 2019, but before January 1, 2020, thirteen million dollars, and for tax years beginning on or after January 1, 2020, fifteen million dollars.

Sec. 47. CONTINGENT CODE EDITOR DIRECTIVE. The Code editor is directed to harmonize the section of this division of this Act amending section 422.11S with the other division of this Act amending section 422.11S, if enacted, by changing tax year to calendar year where appropriate and to make other related changes, if necessary, to effectuate such changes.

DIVISION VIII

INCOME TAX CHECKOFFS

Sec. 48. Section 173.22, subsection 2, Code 2019, is amended to read as follows:

2. A foundation fund is created within the state treasury composed of moneys appropriated or available to and obtained or accepted by the foundation. The foundation fund shall include

moneys credited to the fund as provided in section ~~422.12D~~
422.12I.

Sec. 49. Section 422.12E, Code 2019, is amended to read as follows:

422.12E Income tax return checkoffs limited.

1. ~~For tax years beginning on or after January 1, 2019,~~
there There shall be allowed no more than four income tax
return checkoffs on each income tax return. For tax years
beginning on or after January 1, 2017, when the same four
income tax return checkoffs have been provided on the income
tax return for two consecutive tax years, the two checkoffs for
which the least amount has been contributed, in the aggregate
for the first tax year and through March 15 after the end of the
second tax year, are repealed on December 31 after the end of
the second tax year and shall be removed from the return form.

2. If more checkoffs are enacted in the same session of
the general assembly than there is space for inclusion on the
individual tax return form, the checkoffs with the earliest
enacted checkoffs date of enactment as determined pursuant
to section 3.7 for which there is space for inclusion on the
return form shall be included on the return form, and all other
checkoffs enacted during that session of the general assembly
are repealed on December 31 of the year of enactment. If
more checkoffs are enacted in the same session of the general
assembly than there is space for inclusion on the individual
income tax form and the additional checkoffs are enacted on
the same day and it is indeterminable which checkoffs have
the earliest date of enactment pursuant to section 3.7, the
director shall determine which checkoffs shall be included on
the return form, and all other checkoffs not included on the
return form shall be repealed on December 31 of the year of
enactment and shall not be included on the return form.

3. a. By July 1 of the year in which two checkoffs are
repealed pursuant to subsection 1, the department shall notify
the Iowa Code editor which two checkoffs received the least
amount of contributions and are repealed.

b. By September 1 of any applicable year, the department
shall notify the Iowa Code editor of any repeal pursuant to
subsection 2.

Sec. 50. NEW SECTION. 422.12G Joint income tax checkoff for veterans trust fund and volunteer fire fighter preparedness fund.

1. A person who files an individual or a joint income tax return with the department of revenue under section 422.13 may designate one dollar or more to be paid jointly to the veterans trust fund created in section 35A.13 and to the volunteer fire fighter preparedness fund created in section 100B.13. If the refund due on the return or the payment remitted with the return is insufficient to pay the additional amount designated by the taxpayer, the amount designated shall be reduced to the remaining amount of refund or the remaining amount remitted with the return. The designation of a contribution under this section is irrevocable.

2. The director of revenue shall draft the income tax form to allow the designation of contributions to the veterans trust fund and to the volunteer fire fighter preparedness fund as one checkoff on the tax return. The department of revenue, on or before January 31, shall transfer one-half of the total amount designated on the tax return forms due in the preceding calendar year to the veterans trust fund and the remaining one-half to the volunteer fire fighter preparedness fund. However, before a checkoff pursuant to this section shall be permitted, all liabilities on the books of the department of administrative services and accounts identified as owing under section 8A.504 shall be satisfied.

3. The department of revenue shall adopt rules to administer this section.

4. This section is subject to repeal under section 422.12E.

Sec. 51. Section 422.12H, Code 2019, is amended to read as follows:

422.12H Income tax checkoff for fish and game protection fund.

1. A person who files an individual or a joint income tax return with the department of revenue under section 422.13 may designate a contribution to the state fish and game protection fund authorized pursuant to section 456A.16.

2. This section is subject to repeal under section 422.12E.

Sec. 52. NEW SECTION. 422.12I Income tax checkoff for the Iowa state fair foundation fund.

1. A person who files an individual or a joint income tax return with the department of revenue under section 422.13 may designate one dollar or more to be paid to the foundation fund of the Iowa state fair foundation as established in section 173.22. If the refund due on the return or the payment remitted with the return is insufficient to pay the amount designated by the taxpayer to the foundation fund, the amount designated shall be reduced to the remaining amount of the refund or the remaining amount remitted with the return. The designation of a contribution to the foundation fund under this section is irrevocable.

2. The director of revenue shall draft the income tax form to allow the designation of contributions to the foundation fund on the tax return. The department, on or before January 31, shall transfer the total amount designated on the tax form due in the preceding year to the foundation fund. However, before a checkoff pursuant to this section shall be permitted, all liabilities on the books of the department of administrative services and accounts identified as owing under section 8A.504 shall be satisfied.

3. The Iowa state fair board may authorize payment from the foundation fund for purposes of supporting foundation activities.

4. The department of revenue shall adopt rules to implement this section.

5. This section is subject to repeal under section 422.12E.

DIVISION IX

POWERS AND DUTIES OF DIRECTOR OF REVENUE

Sec. 53. Section 421.17, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 35. To audit and examine all taxes collected or administered by the department.

DIVISION X

SALES AND USE TAX EXEMPTIONS RELATED TO MANUFACTURERS

Sec. 54. Section 423.3, subsection 47, paragraph d, subparagraph (4), subparagraph division (c), unnumbered paragraph 1, Code 2019, is amended to read as follows:

“*Manufacturer*” does not include persons who are not commonly understood as manufacturers, including but not limited to

persons primarily engaged in any of the following activities:

Sec. 55. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 56. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to May 30, 2018.

DIVISION XI

RESEARCH ACTIVITIES TAX CREDIT

Sec. 57. Section 422.10, subsection 1, paragraph a, subparagraph (1), subparagraph division (a), Code 2019, is amended to read as follows:

(a) The business is engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry.

Sec. 58. Section 422.10, subsection 1, paragraph a, subparagraph (1), subparagraph division (b), unnumbered paragraph 1, Code 2019, is amended to read as follows:

Persons that shall not be considered to be engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry, and thus are not eligible for the credit, include but are not limited to all of the following:

Sec. 59. Section 422.33, subsection 5, paragraph e, subparagraph (1), subparagraph division (a), Code 2019, is amended to read as follows:

(a) The business is engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry.

Sec. 60. Section 422.33, subsection 5, paragraph e, subparagraph (1), subparagraph division (b), unnumbered paragraph 1, Code 2019, is amended to read as follows:

Persons that shall not be considered to be engaged in the manufacturing, life sciences, agriscience, software engineering, or aviation and aerospace industry, and thus are not eligible for the credit, include but are not limited to all of the following:

DIVISION XII

ADOPTION TAX CREDIT

Sec. 61. Section 422.12A, subsection 2, Code 2019, is amended to read as follows:

2. The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by an adoption tax credit equal to the amount of qualified adoption expenses paid or incurred by the taxpayer ~~during the tax year~~ in connection with the adoption of a child by the taxpayer, not to exceed five thousand dollars per adoption.

Sec. 62. Section 422.12A, Code 2019, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. The credit under this section with respect to any qualified adoption expense shall be allowed during a tax year as follows:

a. For any qualified adoption expense paid or incurred prior to or during the tax year in which the adoption becomes final, the tax year in which the adoption becomes final.

b. For any qualified adoption expense paid or incurred after the tax year in which the adoption becomes final, the tax year in which an adoption expense is paid or incurred.

Sec. 63. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, for tax years beginning on or after that date.

DIVISION XIII

UTILITY REPLACEMENT TASK FORCE

Sec. 64. Section 437A.15, subsection 7, paragraph b, Code 2019, is amended to read as follows:

b. The task force shall study the effects of the replacement taxes under this chapter and chapter 437B on local taxing authorities, local taxing districts, consumers, and taxpayers through January 1, ~~2019~~ 2024. If the task force recommends modifications to the replacement tax that will further the purposes of tax neutrality for local taxing authorities, local taxing districts, taxpayers, and consumers, consistent with the stated purposes of this chapter, the department of management shall transmit those recommendations to the general assembly.

DIVISION XIV

FRANCHISE TAX — ALTERNATIVE MINIMUM TAX (AMT) REPEAL

Sec. 65. Section 422.60, subsection 2, Code 2019, is amended by adding the following new paragraph:

NEW PARAGRAPH. c. This subsection is repealed January 1, 2021, for tax years beginning on or after that date.

Sec. 66. Section 422.60, subsection 3, Code 2019, is amended to read as follows:

3. a. (1) ~~There~~ For tax years beginning before January 1, 2022, there is allowed as a credit against the tax determined in section 422.63 for a tax year an amount equal to the minimum tax credit for that tax year.

(2) The minimum tax credit for a tax year is the excess, if any, of the net minimum tax imposed for all prior tax years beginning on or after January 1, 1987, but before January 1, 2021, over the amount allowable as a credit under this subsection for those prior tax years.

b. (1) The allowable credit under paragraph "a" for a tax year beginning before January 1, 2021, shall not exceed the excess, if any, of the tax determined in section 422.63 over the state alternative minimum tax as determined in subsection 2. The allowable credit under paragraph "a" for a tax year beginning in the 2021 calendar year shall not exceed the tax determined in section 422.63.

(2) The net minimum tax for a tax year is the excess, if any, of the tax determined in subsection 2 for the tax year over the tax determined in section 422.63 for the tax year.

c. This subsection is repealed January 1, 2022, for tax years beginning on or after that date.

DIVISION XV

GEOHERMAL HEAT PUMP TAX CREDIT

Sec. 67. NEW SECTION. 422.12N Geothermal heat pump tax credit.

1. The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by a geothermal heat pump tax credit equal to twenty percent of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25D(a)(5) of the Internal Revenue Code for residential property located in Iowa.

2. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier.

3. The department shall accept and approve applications on a first-come, first-served basis until the maximum amount

of tax credits that may be claimed pursuant to subsection 4 is reached. If for a tax year the aggregate amount of tax credits applied for exceeds the amount specified in subsection 4, the department shall establish a wait list for tax credits. Valid applications filed by the taxpayer by May 1 following the year of the installation but not approved by the department shall be placed on a wait list in the order the applications were received and those applicants shall be given priority for having their applications approved in succeeding years. Placement on a wait list pursuant to this subsection shall not constitute a promise binding the state. The availability of a tax credit and approval of a tax credit application pursuant to this section in a future year is contingent upon the availability of tax credits in that particular year.

4. a. The cumulative value of tax credits claimed annually by applicants pursuant to this section shall not exceed one million dollars.

b. If an amount of tax credits available for a tax year pursuant to paragraph "a" goes unclaimed, the amount of the unclaimed tax credits shall be made available for the following tax year in addition to, and cumulated with, the amount available pursuant to paragraph "a" for the following tax year.

5. The director of revenue shall adopt rules to implement this section.

Sec. 68. EFFECTIVE DATE. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 69. RETROACTIVE APPLICABILITY. This division of this Act applies retroactively to January 1, 2019, for tax years beginning on or after that date.

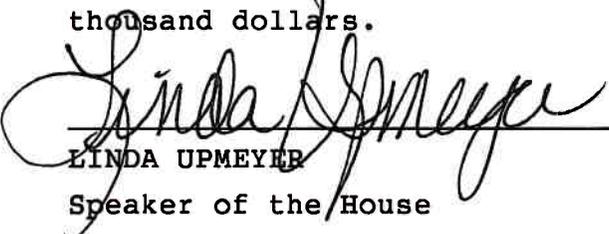
DIVISION XVI

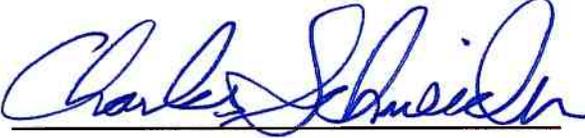
MONEYS AND CREDITS TAX ON STATE CREDIT UNIONS

Sec. 70. Section 533.329, subsection 2, paragraph a, Code 2019, is amended to read as follows:

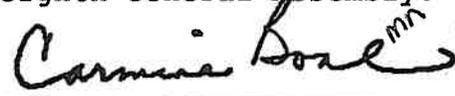
a. The moneys and credits tax on state credit unions is imposed at a rate of one-half cent on each dollar of the legal and special reserves that are required to be maintained by the state credit union under section 533.303, ~~and shall be levied by the board of supervisors and placed upon the tax list and~~

~~collected by the county treasurer.~~ However, an exemption shall be given to each state credit union in the amount of forty thousand dollars.


LINDA UPMEYER
Speaker of the House


CHARLES SCHNEIDER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 779, Eighty-eighth General Assembly.


CARMINE BOAL
Chief Clerk of the House

Approved May 16th, 2019


KIM REYNOLDS
Governor